

**MAIL TO:**

STATE OF UTAH  
 DIVISION OF PURCHASING  
 3150 STATE OFFICE BUILDING, STATE CAPITOL  
 P.O. BOX 141061  
 SALT LAKE CITY, UTAH 84114-1061  
 TELEPHONE (801) 538-3026  
<http://purchasing.utah.gov>

**Request for Proposal**Solicitation Number: **RM4068-1**Due Date: **06/08/04 at 3:00 P.M.**

Date Sent: April 20, 2004

**Agency Contract**

Goods and services to be  
 purchased:

**\*IN LIEU OF PREVIOUS RFP\* CONTRACT FOR AN ACTUARY FOR THE UTAH COMPREHENSIVE  
 HEALTH INSURANCE POOL**

**Please complete**

Company Name		Federal Tax Identification Number	
Ordering Address	City	State	Zip Code
Remittance Address (if different from ordering address)	City	State	Zip Code
Type <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Proprietorship <input type="checkbox"/> Government	Company Contact Person		
Telephone Number (include area code)	Fax Number (include area code)		
Company's Internet Web Address	Email Address		
Discount Terms (for bid purposes, bid discounts less than 30 days will not be considered)	Days Required for Delivery After Receipt of Order (see attached for any required minimums)		
<p>The following documents are included in this solicitation: Solicitation forms, instructions and general provisions, and specifications. <u>Please review all documents carefully before completing.</u></p> <p>The undersigned certifies that the goods or services offered are produced, mined, grown, manufactured, or performed in Utah. Yes ____ No _____. If no, enter where produced, etc. _____</p>			
Offeror's Authorized Representative's Signature		Date	
Type or Print Name		Position or Title	

**STATE OF UTAH  
DIVISION OF PURCHASING**

**Request for Proposal**

**Solicitation Number: RM4068-1**

**Due Date: 06/08/04**

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**Vendor Name:**

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**\*IN LIEU OF PREVIOUS RFP\***

**CONTRACT FOR AN ACTUARY FOR THE UTAH COMPREHENSIVE HEALTH INSURANCE POOL PER ATTACHED SPECIFICATIONS.**

**IF YOU SUBMITTED AN OFFER IN RESPONSE TO THE ORIGINAL RFP, YOU MAY HAVE THAT OFFER CONSIDERED BY SENDING A LETTER TO THAT EFFECT. YOUR LETTER MUST BE RECEIVED PRIOR TO THE DUE DATE FOR THIS SOLICITATION.**

**QUESTIONS ON SPECIFICATIONS CALL TOMI OSSANA AT 801-485-2830.**

**QUESTIONS ON PURCHASING PROCESS (NOT RELATED TO SPECIFICATIONS) CALL ROSELLE MILLER AT 801-538-3232.**

**REFERENCE RX: 690 40000000002**

**COMMODITY CODE: 94612 & 91869**

## REQUEST FOR PROPOSAL - INSTRUCTIONS AND GENERAL PROVISIONS

**1. PROPOSAL PREPARATION:** (a) All prices and notations must be in ink or typewritten. (b) Price each item separately. Unit price shall be shown and a total price shall be entered for each item bid. (c) Unit price will govern, if there is an error in the extension. (d) Delivery time of services and products as proposed is critical and must be adhered to. (e) All products are to be of new, unused condition, unless otherwise requested in this solicitation. (f) Incomplete proposals may be rejected. (g) This proposal may not be withdrawn for a period of 60 days from the due date. (h) Where applicable, all proposals must include complete manufacturer's descriptive literature. (i) By signing the proposal the offeror certifies that all of the information provided is accurate, that they are willing and able to furnish the item(s) specified, and that prices offered are correct.

**2. SUBMITTING THE PROPOSAL:** (a) The proposal must be signed in ink, sealed, and if mailed, mailed in a properly-addressed envelope to the DIVISION OF PURCHASING, 3150 State Office Building, Capitol Hill, Salt Lake City, UT 84114-1061. **The "Solicitation Number" and "Due Date" must appear on the outside of the envelope.** (b) Proposals, modifications, or corrections received after the closing time on the "Due Date" will be considered late and handled in accordance with the Utah Procurement Rules, section 3-209. (c) **Your proposal will be considered only if it is submitted on the forms provided by the state. Facsimile transmission of proposals to DIVISION will not be considered.** (d) All prices quoted must be both F.O.B. Origin per paragraph 1.(c) and F.O.B. Destination. Additional charges including but not limited to delivery, drayage, express, parcel post, packing, cartage, insurance, license fees, permits, costs of bonds, or for any other purpose must be included in the proposal for consideration and approval by the Division of Purchasing & General Services (DIVISION). Upon award of the contract, the shipping terms will be F.O.B. Destination, Freight Prepaid with freight charges to be added to the invoice unless otherwise specified by the DIVISION. No charge for delivery, drayage, express, parcel post, packing, cartage, insurance, license fees, permits, costs of bonds, or for any other purpose will be paid by the state unless specifically included in the proposal and accepted by DIVISION. (e) By signing the proposal the offeror certifies that all of the information provided is accurate and that he/she offers to furnish materials/services for purchase in strict accordance with the requirements of this proposal including all terms and conditions.

**3. SOLICITATION AMENDMENTS:** All changes to this solicitation will be made through written addendum only. Bidders are cautioned not to consider verbal modifications.

**4. PROPRIETARY INFORMATION:** Suppliers are required to mark any specific information contained in their bid which is not to be disclosed to the public or used for purposes other than the evaluation of the bid. Each request for non-disclosure must be accompanied by a specific justification explaining why the information is to be protected. Pricing and service elements of any proposal will not be considered proprietary. All material becomes the property of the state and may be returned only at the state's option. Proposals submitted may be reviewed and evaluated by any persons at the discretion of the state.

**5. BEST AND FINAL OFFERS:** Discussions may be conducted with offerors who submit proposals determined to be reasonably susceptible of being selected for award for the purpose of assuring full understanding of, and responsiveness to, solicitation requirements. Prior to award, these offerors may be asked to submit best and final offers. In conducting discussions, there shall be no disclosure of any information derived from proposals submitted by a competing offeror.

**6. SAMPLES:** Samples, brochures, etc., when required, must be furnished free of expense to the state and if not destroyed by tests may, upon request made at the time the sample is furnished, be returned at the offeror's expense.

**7. DIVISION APPROVAL:** Contracts written with the State of Utah, as a result of this proposal, will not be legally binding without the written

approval of the Director of the DIVISION.

**8. AWARD OF CONTRACT:** (a) The contract will be awarded with reasonable promptness, by written notice, to the lowest responsible offeror whose proposal is determined to be the most advantageous to the state, taking into consideration price and evaluation factors set forth in the RFP. No other factors or criteria will be used in the evaluation. The contract file shall contain the basis on which the award is made. Refer to Utah Code Annotated 65-56-21. (b) The DIVISION can reject any and all proposals. And it can waive any informality, or technicality in any proposal received, if the DIVISION believes it would serve the best interests of the state. (c) Before, or after, the award of a contract the DIVISION has the right to inspect the offeror's premises and all business records to determine the offeror's ability to meet contract requirements. (d) The DIVISION will open proposals publicly, identifying only the names of the offerors. Proposals and modifications shall be time stamped upon receipt and held in a secure place until the due date. After the due date, a **register** of proposals shall be established. The **register** shall be open to public inspection, but the proposals will be seen only by authorized DIVISION staff and those selected by DIVISION to evaluate the proposals. The proposal(s) of the successful offeror(s) shall be open for public inspection for 90 days after the award of the contract(s). (e) Utah has a reciprocal preference law which will be applied against bidders bidding products or services produced in states which discriminate against Utah products. For details see Section 63-56 20.5 -20.6, Utah Code Annotated.

**9. ANTI-DISCRIMINATION ACT:** The offeror agrees to abide by the provisions of the Utah Anti-discrimination Act, Title 34 Chapter 35, U.C.A. 1953, as amended, and Title VI and Title VII of the Civil Rights Act of 1964 (42 USC 2000e), which prohibit discrimination against any employee or applicant for employment, or any applicant or recipient of services, on the basis of race, religion, color, or national origin; and further agrees to abide by Executive Order No. 11246, as amended, which prohibits discrimination on the basis of sex; 45 CFR 90 which prohibits discrimination on the basis of age, and Section 504 of the Rehabilitation Act of 1973 or the Americans with Disabilities Act of 1990, which prohibits discrimination on the basis of disabilities. Also offeror agrees to abide by Utah's Executive Order, dated March 17, 1993, which prohibits sexual harassment in the workplace. Vendor must include this provision in every subcontract or purchase order relating to purchases by the State of Utah to insure that the subcontractors and vendors are bound by this provision.

**10. WARRANTY:** The contractor agrees to warrant and assume responsibility for all products (including hardware, firmware, and/or software products) that it licenses, contracts, or sells to the State of Utah under this contract for a period of one year, unless otherwise specified and mutually agreed upon elsewhere in this contract. The contractor (seller) acknowledges that all warranties granted to the buyer by the Uniform Commercial Code of the State of Utah applies to this contract. Product liability disclaimers and/or warranty disclaimers from the seller are not applicable to this contract unless otherwise specified and mutually agreed upon elsewhere in this contract. In general, the contractor warrants that: (1) the product will do what the salesperson said it would do, (2) the product will live up to all specific claims that the manufacturer makes in their advertisements, (3) the product will be suitable for the ordinary purposes for which such product is used, (4) the product will be suitable for any special purposes that the State has relied on the contractor's skill or judgement to consider when it advised the State about the product, (5) the product has been properly designed and manufactured, and (6) the product is free of significant defects or unusual problems about which the State has not been warned. Remedies available to the State include the following: The contractor will repair or replace (at no charge to the State) the product whose nonconformance is discovered and made known to the contractor in writing. If the repaired and/or replaced product proves to be inadequate, or fails of its essential purpose, the contractor will refund the full amount of any payments that have been made. Nothing in this warranty will be construed to limit any rights or remedies the State of Utah may otherwise have under this contract.

**11. DEBARMENT:** The CONTRACTOR certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared

ineligible, or voluntarily excluded from participation in this transaction (contract) by any governmental department or agency. If the CONTRACTOR cannot certify this statement, attach a written explanation for review by the STATE.

**12. GOVERNING LAWS AND REGULATIONS:** All State purchases are subject to the Utah Procurement Code, Title 63, Chapter 56 Utah Code Annotated 1953, as amended, and the Procurement Rules as adopted by the Utah State Procurement Policy Board (Utah Administrative Code Section R33). These are available on the Internet at [www.purchasing.utah.gov](http://www.purchasing.utah.gov).

(Revision 14 Mar 2003 - RFP Instructions)



**REQUEST FOR PROPOSAL**  
***Actuarial Services for the Utah Comprehensive Health Insurance Pool***  
**In lieu of previous**  
**Solicitation #RM4068**

**PURPOSE OF REQUEST FOR PROPOSAL (RFP)**

The purpose of this request for proposal is to enter into a contract with a qualified firm or independent contractor to serve as actuary for the Utah Comprehensive Health Insurance Pool (HIPUtah). It is anticipated that this RFP may result in a contract award to a single contractor. It should be noted that the current contracted Actuary is retiring.

This RFP is designed to provide interested offerors with sufficient basic information to submit proposals meeting minimum requirements, but is not intended to limit a proposal's content or exclude any relevant or essential data. Offerors are at liberty and are encouraged to expand upon the specifications to evidence service capability under any agreement.

**BACKGROUND**

Utah Code includes the Comprehensive Health Insurance Pool Act (Utah Code -- Title 31A -- Chapter 29) that is located at <http://www.le.state.ut.us/~code/TITLE31A/31A1C.htm>. The program provides health insurance to Utahns who cannot purchase coverage in the individual commercial market because of a medical condition that causes them to be uninsurable. It also serves as the state's HIPAA (Health Insurance Portability and Accountability Act) alternative. This coverage is provided by the Utah Comprehensive Health Insurance Pool (HIPUtah), a nonprofit entity within the Utah Department of Insurance. Among its obligations, HIPUtah is responsible to establish claim reserve formulas and to demonstrate that its assumptions of risk or liability are based on sound financial and actuarial principles.

The program is operated by an eleven member Board appointed by the Governor with rule-making authority and is managed by an Executive Director. The Act grants the Board general powers and authority to act as a health insurer and specifically authorizes it to enter into contracts to carry out the provisions and purposes of the Act.

Regence Blue Cross Blue Shield of Utah currently provides contracted administrative and claims services and produces the claims and premium data for actuarial analysis.

There are approximately 2,900 current enrollees and the program is growing. Further information is available in Appendix A, the Annual Report to the Legislature and Appendix B, sample actuarial reports.

**ISSUING OFFICE AND RFP REFERENCE NUMBER**

The State of Utah Division of Purchasing is the issuing office for this document and all subsequent addenda relating to it, on behalf of HIPUtah. The reference number for the transaction is Solicitation #RM4068. This number must be referred to on all proposals, correspondence, and documentation relating to the RFP.

## **SUBMITTING YOUR PROPOSAL**

One original and four identical copies of your proposal must be received at the State of Utah Division of Purchasing, 3150 State Office Building, Capitol Hill, Salt Lake City, Utah 84114, prior to the closing date and time specified. Proposals received after the deadline will be late and ineligible for consideration.

Following is the anticipated timeline for this RFP:

RFP Released (on or before)	April 23, 2004
Written Questions	May 3, 2004
Response to Written Questions	May 10, 2004
Proposals Due	June 8, 2004 by 3:00 PM MST
Approximate Contract Award Notification	June 30, 2004
Effective date of contract will be as soon as possible after award notification is complete.	

## **LENGTH OF CONTRACT**

The Contract resulting from this RFP will be for a period of four years. There will be no renewal options.

## **PRICE GUARANTEE PERIOD**

All pricing must be guaranteed for a one (1) year period. Following the guarantee period, any request for price adjustment must be for an equal guarantee period, and must be made at least 30 days prior to the effective date. Requests for price adjustment must include sufficient documentation supporting the request. Any adjustment or amendment to the contract will not be effective unless approved by the State Director of Purchasing. The State will be given the immediate benefit of any decrease in the market, or allowable discount.

## **STANDARD CONTRACT TERMS AND CONDITIONS**

Any contract resulting from this RFP will include the State's standard terms and conditions. These may be accessed at: <http://www.purchasing.utah.gov/contractinfo/TermsAgency.pdf>

## **DISCUSSIONS WITH OFFERORS (ORAL PRESENTATION)**

An oral presentation by an offeror to clarify a proposal may be required at the sole discretion of the State. However, the State may award a contract based on the initial proposals received without discussion with the Offeror. If oral presentations are required, they will be scheduled after the submission of proposals. Oral presentations will be made at the offeror's expense.

## **PROPRIETARY INFORMATION**

The proposal of the successful offeror becomes public information. Proprietary information can be protected under limited circumstances such as client lists and non-public financial statements. Pricing and service elements are not considered proprietary. An entire proposal

may not be marked as proprietary. Offerors must clearly identify in the Executive Summary and mark in the body of the proposal any specific proprietary information they are requesting to be protected. The Executive Summary must contain specific justification explaining why the information is to be protected. Proposals may be reviewed and evaluated by any person at the discretion of the State. All materials submitted become the property of the State of Utah and may be returned only at the State's option.

## **DETAILED SCOPE OF WORK**

The State of Utah may award a contract based on the initial proposals received, without discussion of such proposals. Accordingly, each initial proposal should be submitted with the most favorable service and price features. Creativity is encouraged in designing an actuarial program that will support the fiscal soundness and growth of HIPUtah. The State reserves the right to reject any or all proposals received.

### **Scope of Services**

- 1) Review of all data received from administrator, prior to any use being made of the data, and interacts with administrator to assure timeliness, accuracy and completeness of data.
- 2) Calculation monthly of the outstanding liability, including review of the pending large claimants, with appropriate reports to the Executive Director and Board
  - Communicate monthly with the administrator to obtain the necessary claim data and any other information which would impact the outstanding liability;
  - Incorporate into outstanding liability projection model based on: monthly paid claims by date incurred information; changes in enrollment; and changes in patterns of claim turnaround;
  - Review and evaluate results from model for consistency with information about large claimants for whom services have been rendered or approved but for which no claims have been paid;
  - Establish an appropriate actuarial margin for the outstanding liability amount, stating such margin explicitly; and
  - Report outstanding liability amounts, both for the current period and with updated figures for prior period, together with the implications of those amounts, to the Board at all regular board meetings, and any other times required.
- 3) Calculation and report of monthly statistics to provide the Board with sufficient data to permit the Board to fulfill its fiduciary responsibilities
  - Generate statistics using the most current data available from the administrator, including all of the following information:
    - ✓ Monthly, year-to-date and since inception loss ratios and gain/loss amounts
    - ✓ Monthly and twelve month moving per insured per month claim costs
    - ✓ Monthly and twelve month moving per insured per month premium receipts
    - ✓ Trend of costs under HIPUtah
    - ✓ Trend of enrollment under HIPUtah
  - Present monthly statistics both in chart and graphical format, with written and oral summary of the implications of the statistics

- 4) Annual actuarial certification of the year-end outstanding liability
  - Conduct such tests of data from Administrator as necessary to permit forming an actuarial opinion
  - Generate an actuarial certification of the year-end outstanding liability and provide the applicable recipients, meeting all time requirements, including the board, the year-end report, the report to the legislature and the State Auditor's office
- 5) Analysis of small group and individual rates in the Utah market, with appropriate adjustment for the actuarial value of benefit differences, for comparison with the HIPUtah rates, and for input to the Board considering premium rate changes
  - Work with the resources of the Utah Insurance Department, as well as using data amassed by the contractor, to collect, analyze and compare small group and individual premium rates and HIPUtah rates
  - Calculate annual rate change needs for Board consideration
- 6) Analysis of the effects of federal and Utah legislation on the HIPUtah, with generation of fiscal notes when appropriate and reports to the Board
  - Summaries from contractors' subscription to extensive information services
  - Review of all pertinent aspects of federal and Utah legislation and regulation, both proposed and enacted
  - Regular reports, in a timely fashion, both orally and in written form on the potential effects of such legislation and regulation prior to its implementation, and
  - Regular reports, in a timely fashion, of the measures needed to be taken to comply with and/or adapt to legislation and regulation which has been finalized
- 7) In cooperation with the Executive Director, analysis of the fiscal year-end results for report to the Board and for the Legislative report, and development and explanation of five year projections.
  - Generate the outstanding liability immediately after receipt from the administrator of claims paid for the fiscal year
  - Incorporate data from the administrator, various state departments, and all other pertinent sources to accurately reflect past history
  - Assist with the drafting of language and documents used to communicate the year end results
- 8) In cooperation with the Executive Director, projections of future experience at least monthly for report to the Board and for the Legislative report
  - Work with members of the Board and the administrator to establish assumptions for future periods
  - Generate projections for future time periods consistent with the history of HIPUtah, expected future changes, and incorporating any effects of federal or state legislation
  - Assist with the drafting of language and documents used to communicate the projections
  - Meet all time requirements necessary to permit completion of the reports and their publication prior to due dates, after timely receipt of data from the administrator
- 9) Cooperation and meeting with, and provision of data for, representatives of the State Auditor's Office pursuant to their audit of the HIPUtah pool

- Provide to the State Auditor's office all such data as necessary for it to conduct its audit
  - Provide through discussion with the personnel of the State Auditor's office, assistance to them in understanding and using the data
  - Meet with State Auditor's office personnel to the extent, and at such time, as they require
- 10) Analysis of the subsidy needs for the financial stability of the HIPUtah, as well as projections/recommendations of other budget items for annual budget
- Incorporate the results of all statistics generated for HIPUtah to recommend to the Board necessary subsidy amounts
    - ✓ Generate at least best case, worst case and most likely scenarios
    - ✓ Review underwriting characteristics of the HIPUtah enrollees
  - Generate alternatives to promote financial stability, listing advantages and disadvantages of each
  - Meet with the Board to assist them with the financial stability management process
- 11) Assist in preparation of language and communications for legislation and funding in conjunction with the Executive Director under Board direction
- Incorporate current statistical data in support of Board initiatives and interests
  - Incorporate information about the status and activities of other insurance entities in the area
  - Draft proposed language consistent with Board intentions
  - Review proposed language with the Executive Director, Board and appropriated representatives of the Utah Insurance Department and any other affected State offices
  - Work with legislative analysts and other personnel to assure the proposed language meets Board intentions
  - Attend and provide information to all appropriate legislative committee meetings where HIPUtah issues are addressed
  - Support HIPUtah issues and funding with individual legislators, committee staff, and any other appropriate parties
- 12) Review policy language and recommend appropriate changes/updates, with evaluation of expected changes in cost and/or use associated with the changes/updates
- Alert HIPUtah Board to changes in the private insurance market which would impact the relativity of HIPUtah benefits to the benefits in the private market
  - Recommend such changes and updates to the policy language which would appropriately address the issues
- 13) Review the effect of underwriting activities and protocols/standards, identifying the ramifications to cost, use, fiscal position, and all other actuarial aspects of modifications to underwriting.
- 14) Evaluate and report on the actuarial value of proposed benefit changes, as well as expected changes in utilization. Recommend other changes, where appropriate.
- Use extensive Utah-specific data bases to project expected changes in use and cost associated with proposed benefit changes

- Calculate the cost per person per month under the expected changes in use and cost
  - Identify the cost per person per month under the expected changes as a fraction of the HIPUtah current cost
  - Communicate with the Board the expected impact of the benefit changes to permit the Board to make decisions with regard to adoption, modification, or rejection of benefit changes
- 15) Support Board functioning and decision making process through:
- Telephone interactions and meetings
  - Electronic (email) communications
  - Transmittal to the Executive Director, prior to Board meetings, of pertinent materials for Board members
  - Personal attendance at Board meetings, and committee meetings when required
  - Present all applicable reports to the Board and address any questions
  - Make recommendations on items of Board discussion when applicable
  - Provide assistance and direction when so directed by the Board
  - Attendance/participation in legislative committee and other meetings.
- 16) Respond to inquiries, including performing necessary analysis and reports, from the Insurance Department, other consultants to the Board, the administrator, and others, as directed by the Board or Executive Director
- Consistent with Board direction, provide all such assistance to telephone inquiries as requested
  - Reply to messages on
    - ✓ The same business day, when in the office
    - ✓ Within one business day when out of the office but in the United States, and
    - ✓ As soon as possible, when outside the United States
- 17) Recommend program or financial improvements, to provide the Board with sufficient information that it can evaluate the recommendations in light of Board objectives of growth, program effectiveness, and fiscal soundness.
- Make suggestions about possible alternatives
  - Provide data on which the Board can make decisions
  - Outline advantages and disadvantages of recommendations
- 18) Undertake all other tasks as directed by the Board or Executive Director.
- Perform all tasks requested by the Board, when within the scope of actuarial training, education and experience
  - Assist the Board in identifying the appropriate personnel from who to request tasks, when tasks are beyond the scope of actuarial training, education, or experience.

## **PROPOSAL REQUIREMENTS AND COMPANY QUALIFICATIONS**

### **Qualifications and Requirements for the Position**

- 1) Offeror must be willing to commit at least 75 hours per year to perform services stated under the scope of services

## 2) Contractor Qualifications

Proposals may be from qualified actuaries, actuarial firms, major accounting firms with qualified actuaries on staff; health care management firms with qualified actuaries on staff; health care consulting firms/individuals with actuarial credentials which meet the definition of a qualified actuary or firms/individuals with consulting experience and actuarial credentials which meet the definition of a qualified actuary.

### 2) Required Experience

- a. Offeror must be a member of the American Academy of Actuaries or guarantee that the work performed must be done by a member of the American Academy of Actuaries.
- b. Offeror or offeror's actuary must have recent, demonstrated experience in actuarial work on private sector individual health insurance, private sector small employer health insurance, small population pools, and private sector managed care environments, including establishing outstanding liability amounts.
- c. Preference is given to Offeror's qualified actuary who has performed health insurance actuarial work applicable to, or for a client in, Utah or a similar high risk pool within the most recent three years.

### 3) Desired Experience

- a. Offeror is desired to have recent, demonstrated experience in policy and benefit language interpretation and composition.
- b. Offeror is desired to have recent, demonstrated experience with high-risk pool operation.
- c. Offeror is desired to have recent, demonstrated experience with public policy and legislative processes.
- d. Offeror must have recent, demonstrated experience with establishing the actuarial value of benefit variations.

4) A statement of offeror's membership, or offeror's actuary's membership (who will be performing the work), in the American Academy of Actuaries. Any other information not appropriately contained in the proposal itself should also be included.

## **PROPOSAL RESPONSE FORMAT**

All proposals must be organized and tabbed with labels for the following headings:

- 1) **RFP Form.** The State's Request for Proposal form completed and signed.
- 2) **Executive Summary.** The one or two page executive summary is to briefly describe the offeror's proposal. This summary should highlight the major features of the proposal. It

must indicate any requirements that cannot be met by the offeror. The reader should be able to determine the essence of the proposal by reading the executive summary. Proprietary information requests should be identified in this section. Finally, the summary should highlight the experience of the offeror in designing or improving programs similar to HIPUtah.

3) **Detailed Response.** This section should constitute the major portion of the proposal and must contain at least the following information:

- a. A complete narrative of the offeror's assessment of the work to be performed, the Offeror's ability and approach, and the resources necessary to fulfill the requirements. This should demonstrate the offeror's understanding of the desired overall performance expectations. Clearly indicate any options or alternatives proposed.
- b. A specific point-by-point response, in the order listed, to each requirement including items listed in Scope of Services in the RFP.
- c. A sample of reports prepared for/provided for other entities which demonstrate the ability to prepare reports and support Board activities as outlined in the Scope of Services.
- d. Specific proposal as to the means offeror will participate in bimonthly Board meetings and other involvement.

4) **Description of Experience.**

- a. Sector Individual Health Insurance: Each proposal must include a history of the firm's/individual's actuarial work with regard to private sector individual health care, including any experience with the acceptance of risk (including underwriting), the setting of rates, and anti-selection.
- b. Private sector Small Employer Health Insurance: Each proposal must include a history of the firm's/individual's actuarial work with regard to private sector individual health care, including any experience with the setting of rates including compliance with small employer health care reform, and inflation trends in that environment.
- c. Small Population Pools: Each proposal must include a history of the firm's/individual's actuarial work with regard to small population pools, particularly with the setting of outstanding liability amounts, but also including the variability of losses, large claimants, and the predictability of future expected claims.
- d. Private Sector Managed Care Environments: Each proposal must include a history of the firm's/individual's actuarial work with regard to the management of care, such as PPOs, EPO's and HMOs.



- e. **Knowledge of the Utah Health Insurance Market:** Each proposal must include a history of the firm's qualified actuary's/individual qualified actuary's familiarity with the Utah health care market.
  - f. **Other Experience:** Each proposal should include details of the firm's/individual's experience, if any
    - 1) In policy language interpretation and composition
    - 2) With state high risk pool operations
    - 3) With the legislative and public policy process
    - 4) Establishing the actuarial value of benefit
- 5) **HIPAA Provisions:** Offeror must certify that offeror is aware of all applicable provisions of HIPAA, and that offeror is in compliance with all such provisions.
- 6) **Cost Proposal.** Cost will be evaluated independently from the technical proposal. Please enumerate all costs on the attached Cost Proposal Form.

### **PROPOSAL EVALUATION CRITERIA**

A committee will evaluate proposals against the following weighted criteria. Each area of the evaluation criteria must be addressed in detail in proposal.

Weight	Criteria
40%	Demonstrated Ability to meet Scope of Work
30%	Qualifications and Requirements
30%	Cost

**ACTUARIAL SERVICES FOR THE  
UTAH COMPREHENSIVE HEALTH INSURANCE POOL  
COST PROPOSAL**

**Cost is to be submitted based on the following:**

**(Any deviation from this format may result in disqualification of proposal)**

Hourly Rate: \$\_\_\_\_\_

# ACTUARIAL SERVICES FOR THE UTAH COMPREHENSIVE HEALTH INSURANCE POOL Evaluation Score Sheet

## SOLICITATION #RM4068 RFP EVALUATION SCORESHEET

**Firm Name:** \_\_\_\_\_.

**Evaluator:** \_\_\_\_\_.

**Date:** \_\_\_\_\_.

Score will be assigned as follows:

0 = Failure, no response

1 = Poor, inadequate, fails to meet requirement

2 = Fair, only partially responsive

3 = Average, meets minimum requirement

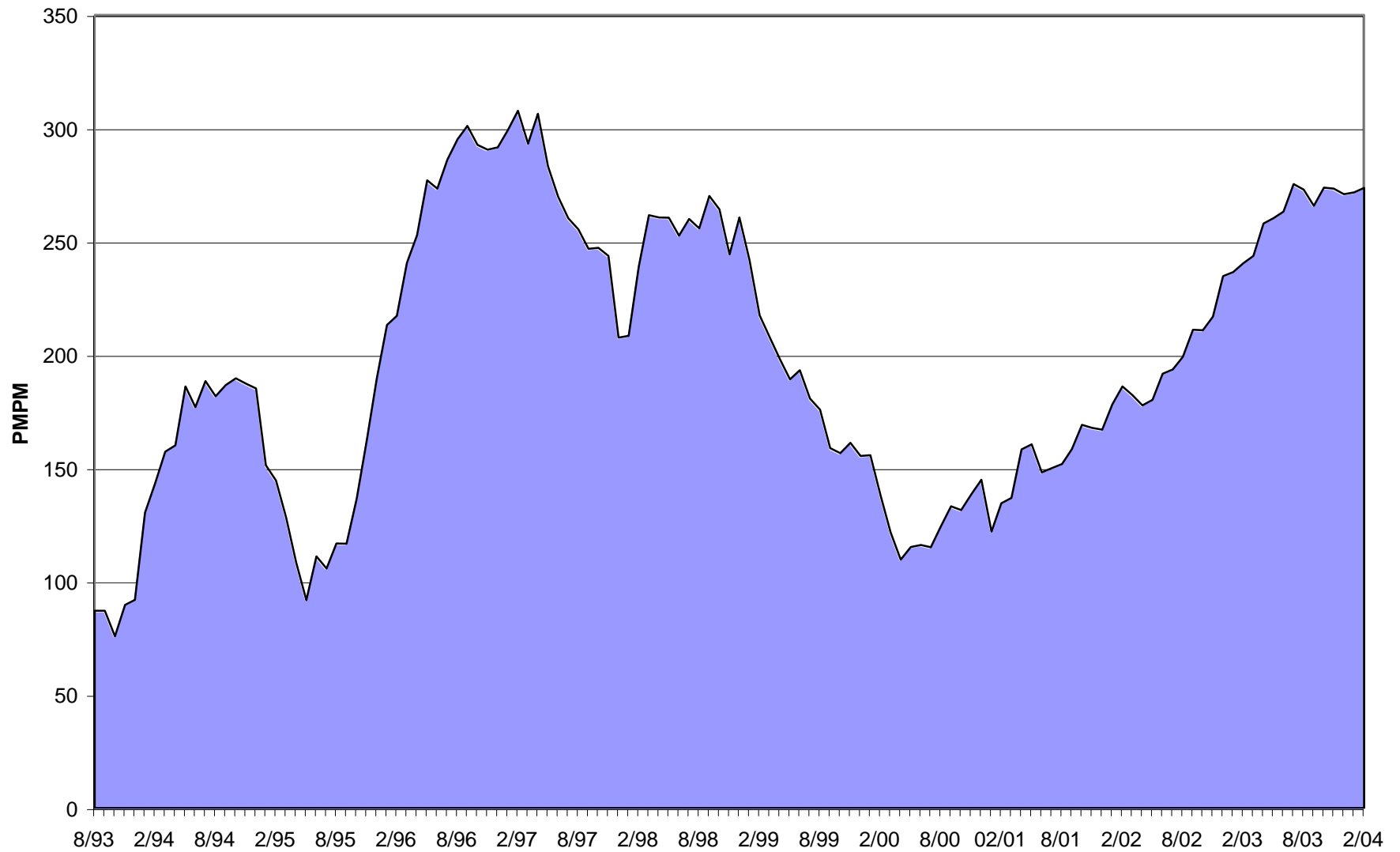
4 = Above average, exceeds minimum requirement

5 = Superior

		Score	Weight (0-5)	Points
1. Demonstrated Ability to meet scope of work <b>(40 points possible)</b>		----	----	----
Policy Language	5 points possible		X 1	
State high risk pool operations and knowledge of Utah Health Care Market	15 points possible		X 3	
The legislative and public policy process	5 points possible		X 1	
Establishing actuarial value of benefit variations	15 points possible		X 3	
2. Demonstrated Ability to Meet Qualifications and Requirements of position (experience) <b>(30 points possible)</b>		----	----	----
Private Sector Individual Health Insurance	5 points possible		X 1	
Private Sector Small Group Health Insurance	10 points possible		X 2	
Small Population Pools	10 points possible		X 2	
Private Sector Managed Care Environments	5 points possible		X 1	
5. Cost <b>(30 points possible)</b>	30 points possible			<b>* Inserted by Purchasing</b>
TOTAL EVALUATION POINTS	<b>(100 points possible)</b>		Total	

\* Purchasing will use the following cost formula: The points assigned to each offerors cost proposal will be based on the lowest proposal price. The offeror with the lowest Proposed Price will receive 100% of the price points. All other offerors will receive a portion of the total cost points based on what percentage higher their Proposed Price is than the Lowest Proposed Price. An offeror who's Proposed Price is more than double (200%) the Lowest Proposed Price will receive no points. The formula to compute the points is: Cost Points x (2- Proposed Price/Lowest Proposed Price).

12 MO END SUBSIDY PMPM





ASSUMPTIONS

ENROLLMENT 9/30/2003

2801

observed

AVERAGE CHANGE IN ENROLLMENT BY MONTH

1.3%

2.1%

AVG PREMIUM PMPM FROM 6/02

\$ 304.84

TWELVE MONTH ENDING 12/03 CLAIMS PMPM

\$564.63

observed

MEDICAL TREND PER YEAR

11%

DRUG TREND PER YEAR

18%

Combined

13.2%

15.1%

ASSUMED % OF TOTAL AS DRUGS

31%

MONTH	ENROLLMENT	MED CLAIMS	RX CLAIMS	PREMIUM	TOTAL CLAIMS	TOTAL PREMIUM	ADMINISTRATION	SHORTFALL	Med Clms PMPM	RX Clms PMPM	Tot Clms PMPM	Prem PMPM	Admin PMPM	Prem as % of total
Jul-04	3127	\$ 482.34	\$ 255.75	\$ 415.53	\$ 2,307,987	\$ 1,299,367	\$ 146,212	\$ (1,154,832)						
Aug-04	3168	\$ 429.79	\$ 227.89	\$ 415.53	\$ 2,083,518	\$ 1,316,403	\$ 148,129	\$ (2,070,076)						
Sep-04	3209	\$ 441.82	\$ 234.26	\$ 415.53	\$ 2,169,553	\$ 1,333,440	\$ 150,046	\$ (3,056,234)						
Oct-04	3251	\$ 493.14	\$ 261.47	\$ 415.53	\$ 2,453,246	\$ 1,350,893	\$ 152,010	\$ (4,310,597)						
Nov-04	3293	\$ 446.13	\$ 236.55	\$ 415.53	\$ 2,248,071	\$ 1,368,345	\$ 153,974	\$ (5,344,297)						
Dec-04	3336	\$ 522.94	\$ 277.28	\$ 415.53	\$ 2,669,521	\$ 1,386,213	\$ 155,984	\$ (6,783,590)						
Jan-05	3379	\$ 365.14	\$ 193.60	\$ 415.53	\$ 1,887,981	\$ 1,404,081	\$ 157,995	\$ (7,425,485)						
Feb-05	3423	\$ 468.06	\$ 292.90	\$ 415.53	\$ 2,604,763	\$ 1,422,364	\$ 160,052	\$ (8,767,936)						
Mar-05	3467	\$ 362.33	\$ 226.73	\$ 415.53	\$ 2,042,255	\$ 1,440,647	\$ 162,110	\$ (9,531,653)						
Apr-05	3512	\$ 537.10	\$ 336.10	\$ 415.53	\$ 3,066,677	\$ 1,459,346	\$ 164,214	\$ (11,303,198)						
May-05	3558	\$ 434.62	\$ 271.97	\$ 415.53	\$ 2,514,026	\$ 1,478,461	\$ 166,364	\$ (12,505,128)						
Jun-05	3604	\$ 445.27	\$ 278.64	\$ 415.53	\$ 2,608,967	\$ 1,497,575	\$ 168,515	\$ (13,785,035)						
INCREASE IN PREMIUM 7/1/04		16.43%			\$ 28,656,564	\$ 16,757,134	\$ 1,885,605	\$ (13,785,035)	\$452.16	\$258.45	\$710.60	\$415.53	\$46.76	55% \$ 249.93 \$ 6,678,218
Jul-05	3651	\$ 535.39	\$ 335.03	\$ 477.86	\$ 3,177,911	\$ 1,744,671	\$ 170,713	\$ (1,603,953)						
Aug-05	3698	\$ 477.07	\$ 298.53	\$ 477.86	\$ 2,868,160	\$ 1,767,130	\$ 172,911	\$ (2,877,894)						
Sep-05	3746	\$ 490.42	\$ 306.89	\$ 477.86	\$ 2,986,707	\$ 1,790,068	\$ 175,155	\$ (4,249,688)						
Oct-05	3795	\$ 547.38	\$ 342.53	\$ 477.86	\$ 3,377,228	\$ 1,813,483	\$ 177,446	\$ (5,990,879)						
Nov-05	3844	\$ 495.21	\$ 309.88	\$ 477.86	\$ 3,094,754	\$ 1,836,898	\$ 179,737	\$ (7,428,472)						
Dec-05	3894	\$ 580.46	\$ 363.23	\$ 477.86	\$ 3,674,749	\$ 1,860,791	\$ 182,075	\$ (9,424,506)						
Jan-06	3945	\$ 405.30	\$ 253.62	\$ 477.86	\$ 2,599,446	\$ 1,885,162	\$ 184,460	\$ (10,323,249)						
Feb-06	3996	\$ 519.55	\$ 383.69	\$ 477.86	\$ 3,609,362	\$ 1,909,533	\$ 186,844	\$ (12,209,923)						
Mar-06	4048	\$ 402.18	\$ 297.02	\$ 477.86	\$ 2,830,351	\$ 1,934,382	\$ 189,276	\$ (13,295,168)						
Apr-06	4101	\$ 596.18	\$ 440.29	\$ 477.86	\$ 4,250,568	\$ 1,959,708	\$ 191,754	\$ (15,777,782)						
May-06	4154	\$ 482.43	\$ 356.28	\$ 477.86	\$ 3,483,967	\$ 1,985,035	\$ 194,232	\$ (17,470,946)						
Jun-06	4208	\$ 494.25	\$ 365.01	\$ 477.86	\$ 3,615,790	\$ 2,010,839	\$ 196,757	\$ (19,272,654)						
	47080				\$ 39,568,993	\$ 22,497,700	\$ 2,201,360	\$ (19,272,654)	\$501.89	\$338.57	\$840.46	\$477.86	\$46.76	54% \$ 292.78 \$ 8,713,483

ASSUMPTIONS

ENROLLMENT 9/30/2003

2801

observed

AVERAGE CHANGE IN ENROLLMENT BY MONTH

1.3%

2.1%

AVG PREMIUM PMPM FROM 6/02

\$ 304.84

TWELVE MONTH ENDING 12/03 CLAIMS PMPM

\$564.63

observed

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11%

DRUG TREND PER YEAR

18%

Combined

13.2%

15.1%

ASSUMED % OF TOTAL AS DRUGS

31%

MONTH	ENROLLMENT	MED CLAIMS	RX CLAIMS	PREMIUM	TOTAL CLAIMS	TOTAL PREMIUM	ADMINISTRATION	SHORTFALL	Med Clms PMPM	RX Clms PMPM	Tot Clms PMPM	Prem PMPM	Admin PMPM	Prem as % of total
Jul-06	4263	\$ 594.29	\$ 438.89	\$ 549.54	\$ 4,404,422	\$ 2,342,690	\$ 199,329	\$ (2,261,060)						
Aug-06	4318	\$ 529.54	\$ 391.08	\$ 549.54	\$ 3,975,235	\$ 2,372,915	\$ 201,900	\$ (4,065,281)						
Sep-06	4374	\$ 544.37	\$ 402.02	\$ 549.54	\$ 4,139,495	\$ 2,403,689	\$ 204,519	\$ (6,005,606)						
Oct-06	4431	\$ 607.60	\$ 448.72	\$ 549.54	\$ 4,680,519	\$ 2,435,013	\$ 207,184	\$ (8,458,296)						
Nov-06	4489	\$ 549.68	\$ 405.94	\$ 549.54	\$ 4,289,790	\$ 2,466,886	\$ 209,896	\$ (10,491,096)						
Dec-06	4547	\$ 644.31	\$ 475.83	\$ 549.54	\$ 5,093,313	\$ 2,498,760	\$ 212,608	\$ (13,298,258)						
Jan-07	4606	\$ 449.88	\$ 332.24	\$ 549.54	\$ 3,602,478	\$ 2,531,182	\$ 215,367	\$ (14,584,920)						
Feb-07	4666	\$ 576.70	\$ 502.64	\$ 549.54	\$ 5,036,198	\$ 2,564,155	\$ 218,172	\$ (17,275,136)						
Mar-07	4727	\$ 446.42	\$ 389.09	\$ 549.54	\$ 3,949,466	\$ 2,597,677	\$ 221,024	\$ (18,847,950)						
Apr-07	4788	\$ 661.76	\$ 576.78	\$ 549.54	\$ 5,930,132	\$ 2,631,199	\$ 223,877	\$ (22,370,760)						
May-07	4850	\$ 535.49	\$ 466.72	\$ 549.54	\$ 4,860,739	\$ 2,665,270	\$ 226,776	\$ (24,793,004)						
Jun-07	4913	\$ 548.62	\$ 478.17	\$ 549.54	\$ 5,044,606	\$ 2,699,891	\$ 229,721	\$ (27,367,441)						
					\$ 55,006,394	\$ 30,209,327	\$ 2,570,374	\$ (27,367,441)	\$557.10	\$443.53	\$1,000.63	\$549.54	\$46.76	52% \$ 345.64 \$ 11,208,993



December 31, 2003

Dear Utah State Legislator:

On behalf of the Board of Directors of the Utah Comprehensive Health Insurance Pool (HIPUtah), I am pleased to present the Fiscal Year 2003 Annual Report of HIPUtah activities.

In 1991, the state established HIPUtah to specifically address the problem of people with serious medical conditions, such as cancer, diabetes, heart disease, and other chronic illnesses that made them medically uninsurable and, as a result, unable to obtain insurance at any price. This program is guided by a volunteer Board of Directors and administered privately.

Highlights of the FY 2003 Annual report contain the following:

- HIPUtah Mission Statement;
- Executive Summary;
- Financial statements and Projections;
- HIPUtah at a Glance and Challenges;
- Profile of Utahns served;
- HIPUtah Board and Administrative Support;
- Exhibits; and
- HIPUtah Funding Task Force Report

As HIPUtah enters its 13<sup>th</sup> year of service, it is as of November 2003 providing health care coverage to approximately 2,800 individuals. These individuals are medically uninsurable and may without the program, be exposed to the risk of catastrophic losses.

Since HIPUtah enrollment and the associated costs have and likely will continue to increase, the HIPUtah board requests that the Legislature strongly consider passing legislation that will provide HIPUtah with a stable funding mechanism based on actuarial projections for Fiscal Year 2005. For your reference the HIPUtah Funding task force report is included at the end of this report.

Thank you in advance for your continued consideration of the people served by this important program. You may direct follow-up inquiries about this report to HIPUtah's Executive Director, Tomi Ossana, at (801) 485-2830.

Sincerely,

Randall R. Smart



Comprehensive Health Insurance Pool Board Chair

## **HIPUTAH MISSION STATEMENT**

HIPUtah is a fiscally sound health insurance program for the uninsurable that provides access to affordable, quality health care.

Goals:

- 1) Maintain financial solvency within the budgetary parameters provided by the State of Utah.
- 2) Maintain or lower the uninsured population in the State of Utah.
- 3) Provide flexible product offerings to meet the insurance needs of a diverse population.
- 4) Educate legislators, the general public and other key constituencies about the role HIPUtah plays within the overall healthcare financing system.
- 5) Assess the healthcare needs of HIPUtah enrollees and implement effective healthcare management programs as appropriate.

## **EXECUTIVE SUMMARY**

### **Fiscal Year Ending June 2003**

<b>CREATED</b>	1990 Legislature
<b>PURPOSE</b>	Provide reasonable access to health insurance for Utahns who are uninsurable
<b>BEGAN OPERATIONS</b>	September 1991
<b>OPERATED BY</b>	Volunteer Board, Contracted Management and Administration
<b>ENROLLMENT</b>	2,702 Members

### **ACCOMPLISHMENTS**

- Revised the HIPUtah Articles and Bylaws and the Plan of Operations.
- Conducted product review and implemented cost-control measures.
- Conducted an Eligibility Verification on all enrollees.
- Revised the Enrollment Agreement.
- Streamlined referral process for enrollees.

### **BACKGROUND**

In 1991, the state established the Utah Comprehensive Health Insurance Pool (HIPUtah) to specifically address the problem of people with a serious medical condition—such as cancer, diabetes, heart disease, and other chronic illnesses—that made them medically uninsurable and, as a result, unable to obtain insurance at any price.

The state accomplished this by establishing a state-subsidized, high-risk insurance Pool. The idea behind the Pool was to run it like an insurance company, with two exceptions:

- Only uninsurable individuals would be accepted into the Pool; and
- The state subsidizes the overall cost of the pool.

Health underwriting criteria, set by the Utah Insurance Department at twice the expected claims cost of an average person, was developed to determine eligibility for the Pool.

Premiums for the Pool were based on two principles: (1) premiums should exceed what would be available in the private market to help cover the unusually high costs of these uninsurable individuals; and (2) premiums would be imposed on a per person basis.

Federal Legislation implemented July 1997 as a result of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA Portability") required that states assure portability of group coverage. States could either:

- Guarantee access to the individual market for individuals with group coverage whose coverage was terminated, or
- Provide an alternative mechanism for individual insurance coverage.

The State of Utah opted to satisfy the Federal requirement by using HIPUtah as the alternative mechanism, thus protecting the individual market in Utah from the extra costs of uninsurable individuals entering from group coverage. Due to 1997 State and Federal Legislative changes, eligibility for HIPUtah is now limited to individuals who are not eligible for coverage by private or public carriers.

As part of health care reform in Utah enacted in May 1997 by the passage of Senate Bill 60, HIPUtah also serves to improve price stability in the private market for individuals, and helps address the cost of anti-selection from seriously ill individuals.

HIPUtah is operated by a Board under Legislative and Insurance Department authority. The Board is voluntary, appointed by the Governor and serves without compensation. The Board has rule-making authority to set premium rates and define underwriting and program management guidelines.

Additionally, the Board chooses administrative support for the program. This includes a contracted Executive Director and Consulting Actuary. The State of Utah provides accounting, legal, audit and program evaluation support.

Regence BlueCross BlueShield of Utah has acted as the program administrator since the inception of the HIPUtah program. The Administrator serves for a period of three (3) years. Regence's contract was renewed August 1, 2002.

The Board members and key staff are identified at the end of this report.

**APPROPRIATIONS through Fiscal Year Ending June 30**

<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
\$75,000	2,075,000	2,000,000	2,000,000	\$1,250,000	-0-	-0-
<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
\$5,000,000	\$4,135,100	\$3,135,100	\$3,135,100	3,009,500	2,916,200	\$6,916,200

The Act establishing HIPUtah was passed by the 1990 Legislature and \$75,000 was appropriated to develop a Plan of Operation.

Due to a decrease in state appropriations each year from an historical high of \$5 million in FY 1998 to \$2.96 million in FY 2003, and the fact that enrollment and claims cost have almost tripled during the same time period; HIPUtah's net assets have been depleted and significant deficits are on the horizon.

In 2004, we anticipate the increase in HIPUtah enrollees to continue in the current economic environment. As enrollment grows the state's appropriations has resulted in a steady decrease in support on a per enrollee basis.

This increase in enrollment is expected for the following reasons:

- Federal legislation requires assurance of portability of group coverage; HIPUtah is Utah's mechanism to ensure that portability.
- With the current economic downturn, along with well-publicized layoffs in Utah, it is likely that many of those affected with health problems will turn to HIPUtah for health insurance coverage.
- Carriers are required to notify declined applicants about HIPUtah availability.
- Utahns increasingly see the need for health insurance.

While member premiums currently cover 54% of claims cost, state appropriations have not been sufficient to keep HIPUtah actuarially sound. To address the immediate needs of the funding issue, the Legislature appropriated \$6.9 million to HIPUtah for FY 2004, a \$4 million increase over the previous year. While this is projected to keep HIPUtah in business through FY 2004 it will leave only \$1.6 million in net assets which by most standards would render this entity insolvent.

Due to the increase in enrollment and medical costs and the decrease in appropriations from the state the pool has experienced losses since the pools inception of over \$21 million, \$10 million of which has been in the last two years.

In addition, following the 2003 General Session the Utah Insurance Department organized the HIPUtah Funding Task Force. The mission of the task force is to recommend a long-term funding strategy to ensure the viability of the Utah Comprehensive Health Insurance Pool ("HIPUtah") to the Governor and the Legislature. The task force has completed its report and recommendation and a copy is included in this report. (See Exhibit G.)

Legislative financial support is paramount to covering increasing claims costs and build up the net assets to keep HIPUtah financially viable. This will ensure every Utahn has the opportunity to obtain insurance at a reasonable cost without regard to health.

## FINANCIAL STATEMENTS AND PROJECTIONS

### SUMMARY of PREMIUMS (Earned) and CLAIMS (Incurred)

**From September 1, 1991 – June 30, 2003**

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<b>DATE:</b>	<b>PREMIUM:</b>	<b>CLAIMS:</b>	<b>LOSS RATIO:</b>	<b>GAIN/LOSS:</b>
9-12/91	\$100,601	\$115,720	1.150	(\$15,119)
1-12/92	\$902,193	\$934,307	1.036	(\$32,114)
1-12/93	\$1,403,953	\$1,707,711	1.216	(\$303,758)
1-12/94	\$1,924,436	\$2,985,222	1.551	(\$1,060,786)
1-12/95	\$2,093,506	\$3,310,953	1.582	(\$1,217,447)
1-12/96	\$1,753,709	\$3,741,237	2.133	(\$1,987,528)
1-12/97	\$1,938,339	\$3,215,551	1.659	(\$1,277,212)
1-12/98	\$2,885,597	\$5,101,516	1.768	(\$2,215,919)
1-12/99	\$3,605,729	\$4,900,060	1.359	(\$1,294,331)
1-12/00	\$3,941,928	\$5,223,953	1.325	(\$1,282,025)
1-06/01	\$2,753,660	\$3,158,915	1.147	(\$405,255)
7-06/02	\$6,708,336	\$9,986,289	1.489	(\$3,277,953)
7-06/03	\$9,304,633	\$16,226,522	1.744	(\$6,921,889)
Since Inception:	\$39,316,620	\$60,607,956	1.545	(\$21,291,336)

### BALANCE SHEET

**June 30, 2003 (audited)**

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<b>ASSETS:</b>		<b>LIABILITIES:</b>	
Cash and Cash	\$8,874,688	Claims Incurred but	\$2,659,903
Equivalents		Unpaid	
		Unearned Premium	\$495,224
A/R Administrator	\$94,535	A/P Administrator	\$855,965
Total Assets	<u>\$8,969,223</u>	Interest	<u>\$136</u>
		Payable/Administrator	
		Total Liabilities	<u>\$4,011,228</u>
NET ASSETS:		<u>\$4,957,995</u>	

## **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**

**June 30, 2003 (audited)**

**Operating Revenues:**

Charges for Premiums	\$ 9,303,748
Total Operating Revenue	9,303,748

**Operating Expenses:**

Administrative Fees	1,233,600
Benefit Claims	16,083,413
Current Expense	106,765
Total Operating Expenses	17,423,778

Total Operating Loss	(8,120,030)
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**Non-Operating Income (Expense):**

Interest - Administrator	(4,245)
Investment Income – Primary Government	281,884
State Appropriations	2,916,200
Total Non-Operating Income	3,193,839

**SPECIAL ITEM**

Forgiveness of Interest Debt (Note 5)	41,765
Total Special Items	41,765

Net Income (Loss)	(4,884,426)
Beginning Retained Earnings	9,842,421
Ending Retained Earnings	\$ 4,957,995

## **FINANCIAL PROJECTIONS**

HIPUtah routinely re-forecasts its financial performance based on current experience. This supports the Boards responsibilities under the Act in program management and ensures that reserves are appropriate for this high-risk population. With no change in the program, we project enrollment to increase by 24% from FY 2003 to FY 2004 and 16.8% from FY 2004 to FY 2005, reflecting recent program experience. Without additional funding through the general state fund or an alternative outsource mechanism of funding the pool may have to limit enrollment or it could become insolvent. The projections below are based on actual results obtained after the audit was complete. A projection of the remainder of the fiscal year ending June 30, 2004 and June 30, 2005 follows:

### **July 1, 2003- June 30, 2004**

<b>REVENUE:</b>		<b>EXPENSES:</b>	
Net Premium Earned	\$13,029,593	Health Care Claims	\$22,694,245
Investment Income	<u>\$ 287,814</u>	Admin. Expenses	<u>\$ 1,649,420</u>
Total Revenue	<u>\$13,317,407</u>	Total Expenses	<u>\$24,343,665</u>
Loss From Operations		(\$11,026,258)	
State Appropriations		<u>\$ 6,916,200</u>	
Changes in Net Assets		<u>\$ 1,646,226</u>	

### **July 1, 2004 - June 30, 2005**

<b>REVENUE:</b>		<b>EXPENSES:</b>	
Net Premium Earned*	\$17,468,464	Health Care Claims	\$31,208,134
Investment Income	<u>\$82,311</u>	Admin. Expenses	<u>\$ 1,924,086</u>
Total Revenue	<u>\$17,550,775</u>	Total Expenses	<u>\$33,132,220</u>
Loss From Operations		(\$15,581,445)	
State Appropriations		<u>\$ 6,203,900</u>	
Changes in Net Assets		<u>(\$ 7,731,319)</u>	

**\* Assumes 15% Increase in premium rate 7/01/04, 24% annual enrollment growth**

## **KEY FACTORS USED IN FINANCIAL PROJECTIONS**

### **MEMBERSHIP**

Recently growth has exceeded 31%. However, the Board is projecting an annual enrollee growth of 24% for FY 2004 and 16.8% for FY 2005.

### **MEDICAL COST TREND**



Health care inflation or trend is rising. The annual trend for medical is projected at 11% and pharmacy at 18%. This produces an overall trend of 13.2%. Recently, some domestic insurers have begun using an annual overall trend of 13.25%. It is possible that the trend for HIPUtah members could exceed this number. This increased trend is based on current claims experience, the reports of rate increases in the market, increased use of high technology services, and the rapid growth of overall pharmacy costs.

#### PREMIUM & INVESTMENT INCOME

Premiums for HIPUtah were increased 15% as of July 1, 2003, and may be subject to an additional increase effective January and/or July of 2004. HIPUtah is required by statute to evaluate premium rates each July compared to the average increase of the five largest carriers of small employer coverage. Premium projections assume a 15% increase. Investment income earnings are projected to be about \$280,196 annually, but if losses increase investment income earnings could drop to as low \$22,582 for FY 2005.

#### ADMINISTRATION

Administrative cost for the program is at \$43 per member per month for claims administration, medical management, underwriting and other administrative services. Program management and consultant fees are projected at \$111,000 annually.

## **HIPUTAH AT A GLANCE**

- HIPUtah provides individual health insurance for the medically uninsurable and HIPAA eligibles.
- About 26% of present enrollees are HIPAA eligible.
- HIPUtah received an additional \$4 million for a total of \$6.9 million in appropriations for 2004.
- Over 8,365 Utahns have applied for the program and 7,086 have been approved since its inception.
- Since 1991, HIPUtah has paid \$60.6 million in benefits for enrollees.
- The average HIPUtah enrollee has paid an annual amount of about \$3,874 in premium dollars in FY2003 for these benefits in addition to deductibles and coinsurance.
- Enrollee premiums have covered almost 65% of the claims cost since the inception of the HIPUtah program.
- By the end of fiscal year 2003 there were 2,702 enrollees.
- There was a 15% increase on the July 2003 premiums and several benefit changes may be implemented in January 2004. The average expected monthly premium for FY 2004 is \$367.50. Enrollment and choice of plan changes may cause that average to change.
- Growth has been steady over the program's history with some acceleration in recent years. As enrollment grows the state's fixed appropriations has resulted in a steady decrease in support on a per enrollee basis. (See Exhibit F).
- Enrollment growth during Fiscal Year 2003 was about 26%, which exceeded past projections. Total member month enrollment growth was 31%.
- The dramatic recent increase in enrollment means more rapid use of reserves as these new enrollees leave the six month pre-existing condition waiting period. Nine percent of the enrollment is in the first six months of coverage.
- In FY 2003, 80% of HIPUtah enrollees had coverage less than three years.
- An additional 1.7% of program cost in FY2003 was funded by investment income.
- Costs are kept relatively low in Utah, compared to other states, due to the program's simple and effective administration.

## **HIPUTAH CHALLENGES**

- Affordability: enrollee cost ranges from \$2,098 to \$6,500. Some individuals are priced out of the market. Fifty five percent of HIPUtah cancellations are due to cost. In January of 2004 the board will make benefit adjustments to help reduce costs. As stated in the financial projections section there is a projected 15% rate increase for July of 2004.
- Growth: recent dramatic growth in covered individuals will require the Board to carefully monitor program utilization and financial performance to ensure the programs admirable record of stability.
- Accessibility: continue to make efforts to assure awareness and ease of application and use, to all residents in the state of Utah who are in need and would benefit from the HIPUtah program.
- Responsiveness: changes in policy (HIPAA), availability of Federal grants, health conditions and their treatment, underwriting and the individual market require HIPUtah to evaluate its plans.
- The Board continuously examines the role and effectiveness of HIPUtah. This process considers strategic issues, operational plans, underwriting guidelines, and changes in benefits or plan design.
- Marketing improvements to enhance visibility of the program and its benefits including updated program materials, brochures and newsletters to reach consumers and approaches to increased public and legislative understanding of HIPUtah's role in the community and the health care industry are currently in place.
- Many HIPUtah enrollees have chronic and costly conditions. Asthma, congestive heart failure, diabetes and other chronic illnesses can dramatically impact cost and life quality. The HIPUtah Board is examining disease management programs to be used in conjunction with the administrator.
- HIPUtah has a continuing evaluation of underwriting to ensure that applicants are appropriately in the pool. An external auditor reviews the system, including a study of the relationship between the "point system" and claims cost to evaluate underwriting effectiveness. The HIPUtah board is currently evaluating raising the point system used in determining placement in the pool as a way to limit enrollment.

## PROFILE OF UTAHNS SERVED

The following summary of FY 2003 operating results includes a profile of the individuals enrolled with HIPUtah and current and projected financial performance.

### Member Profile

The accompanying Exhibits A through F profile the age and gender, residence, medical conditions, and household income of HIPUtah subscribers. Their characteristics suggest that we are serving adult, employed Utahns with chronic and serious medical conditions who live throughout the state. In summary:

- HIPUtah subscribers reside throughout Utah in close proportion to total population distribution by health district (see Exhibit A).
- Diseases of the musculoskeletal system, diabetes, heart disease, mental disorders and cancer represent over 70% of HIPUtah enrollees qualifying health conditions (see Exhibit B). These health problems are prevalent in Utah and comprise the major diseases of subscribers in other state risk pools.
- Income of the HIPUtah enrollees comprises various income levels. But, 51% of those enrollees have an income of \$40,000 or below (see Exhibit C). The fact that HIPUtah's premium is significantly higher than commercial rates makes coverage unaffordable to many Utah low and moderate-income households.
- Females comprise 59% while males comprise 41% of HIPUtah subscribers (see Exhibit D).
- Most subscribers are over 40 years of age. Approximately 7% of all subscribers are children through age 19 (see Exhibit E).
- HIPUtah enrollment has grown steadily since the first subscribers were enrolled in September 1991 (see Exhibit F) until January 1996, when approximately one-third became eligible in the private market due to open enrollment legislation for small groups of size 2-50. It again dropped beginning June 1996 as a result of a Board decision to freeze further enrollment into HIPUtah as a result of limited funds. Enrollment began to climb rapidly after the freeze was removed in March 1997 due to additional funding approved by the 1997 Legislature. The Boards objective has been to allow steady growth which reflects accessibility to the pool while being fiscally responsible. Capping enrollment today would have major consequences in the individual and small group private market.

- The percent of utilization by benefit for the HIPUtah pool is as follows:

	<b>1/2003 - 12/2003</b>	<b>1/2002 - 12/2002</b>	<b>1/2002 - 12/2001</b>
Major Medical Drugs	3%	31%	29%
Drug Card	25%	N/A	N/A
Inpatient	31%	26%	27%
Professional	21%	23%	25%
Outpatient	20%	20%	19%

## HIPUTAH BOARD AND ADMINISTRATIVE SUPPORT FY 2003

### BOARD

<b>KEN BUCHI, M.D.</b> , Gastroenterologist Private Practice (Physician Representative)	<b>VICTOR GIBB</b> , Chief Legal Counsel DMBA (Health Insurance Company Representative)
<b>ROD BETIT</b> , Executive Director Department of Health (Or his Designee)	<b>BYRON T. OKUTSU</b> , Director of Contracting University of Utah Hospital and Clinics (Hospital Representative)
<b>MICHAEL BAHR</b> , CEO Altius Health Plans (Health Maintenance Organization Representative)	<b>JAKE BOYER</b> , Senior Partner The Boyer Company (Employer Representative)
<b>PATRICK JOHNSON</b> , (General Public Representative)	<b>RANDALL R. SMART</b> , Attorney Snow, Schofield, Shorter, & Lunceford Chairman of the Board (Parent of Child Expected to Qualify for HIPUtah)
<b>IRENE LINK</b> , President Link Communication (Person Expected to Qualify for HIPUtah)	<b>GERRY TEDROW</b> , CEO Western Mutual Insurance (Health Insurance Company Representative)
<b>MERWIN STEWART</b> , Insurance Commissioner Utah Insurance Department (Or his Designee)	

### ADMINISTRATIVE SUPPORT

<b>TOMI OSSANA</b> (Executive Director)	<b>NICOLE ELDREDGE</b> , HIPUtah Coordinator Regence BlueCross BlueShield Of Utah (Administrator)
<b>DEBBIE HONE</b> , Administrative Assistant Regence BlueCross BlueShield Of Utah (Recording Secretary)	<b>PERRI ANN BABALIS</b> , Asst. Attorney General Office of the Attorney General (Counsel to Board)
<b>JOAN P. OGDEN</b> , Joan Ogden Actuary (HIPUtah Consulting Actuary)	<b>JEROME FLOERKE</b> , Senior Underwriter Equitable Life & Casualty Insurance Company (Underwriting Auditor)

**EXHIBIT A****HIPUtah Geographic Profile by County**

<b>County</b>	<b>Number of Members</b>	<b>Percent of Total</b>	<b>July 1, 2002 Estimated Population</b>	<b>Percent of Total</b>
Beaver	15	0.56%	6,099	0.26%
Box Elder	32	1.18%	44,032	1.90%
Cache	84	3.11%	93,695	4.05%
Carbon	29	1.07%	19,879	0.86%
Davis	226	8.36%	249,224	10.76%
Duchesne	16	0.59%	14,844	0.64%
Emery	11	0.41%	10,626	0.46%
Garfield	7	0.26%	4,584	0.20%
Grand	29	1.07%	8,735	0.38%
Iron	48	1.78%	35,204	1.52%
Juab	7	0.26%	8,569	0.37%
Kane	14	0.52%	6,121	0.26%
Millard	17	0.63%	12,446	0.54%
Morgan	12	0.44%	7,380	0.32%
Piute	1	0.04%	1,361	0.06%
Rich	1	0.04%	1,966	0.08%
Salt Lake	1207	44.67%	919,308	39.70%
San Juan	12	0.44%	13,781	0.60%
Sanpete	18	0.67%	23,392	1.01%
Sevier	13	0.48%	19,091	0.82%
Summit	98	3.63%	31,857	1.38%
Tooele	16	0.59%	46,032	1.99%
Uinta	64	2.37%	26,155	1.13%
Utah	392	14.51%	387,817	16.75%
Wasatch	41	1.52%	16,996	0.73%
Washington	151	5.59%	99,442	4.29%
Wayne	7	0.26%	2,567	0.11%
Weber	134	4.96%	204,167	8.82%
Total	2702	100.00%	2,315,370	100.00%

Table CO\_EST2002-01-49-Utah County Population Estimates: April 1, 2000 to July 1, 2002  
Population Division, U.S. Census Bureau

## **EXHIBIT B**

### **HIPUtah Enrollment By Medical Condition/Disease**

<b>Condition/Disease</b>	<b>Number of Members</b>	<b>Percent of Total</b>
Endocrine, Nutritional, Metabolic, Immunity Disorders	572	21.17%
Diseases of the Circulatory System	322	11.92%
Mental Disorders	291	10.77%
Diseases of the Musculoskeletal System	446	16.51%
Malignant Neoplasms	203	7.51%
Diseases of the Digestive System	162	6.00%
Diseases of the Nervous System	161	5.96%
Genital/Urinary Diseases	139	5.14%
Ill-Defined Conditions	86	3.18%
Diseases of the Respiratory System	84	3.11%
Congenital Anomalies	79	2.92%
Benign Neoplasms	41	1.52%
Injury and Poisoning	27	1.00%
Diseases of the Blood	22	0.81%
Infectious Diseases	16	0.59%
Diseases of the Skin	15	0.56%
Pregnancy	13	0.48%
Carcinoma in Situ	9	0.33%
Transplants	7	0.26%
Conditions in the Perinatal Period	3	0.11%
Complications of Pregnancy, Childbirth and Puerperium	2	0.07%
Uncertain Neoplasms	2	0.07%
Total	2702	100.00%

## EXHIBIT C

### HIPUtah Annual Family Household Income Analysis

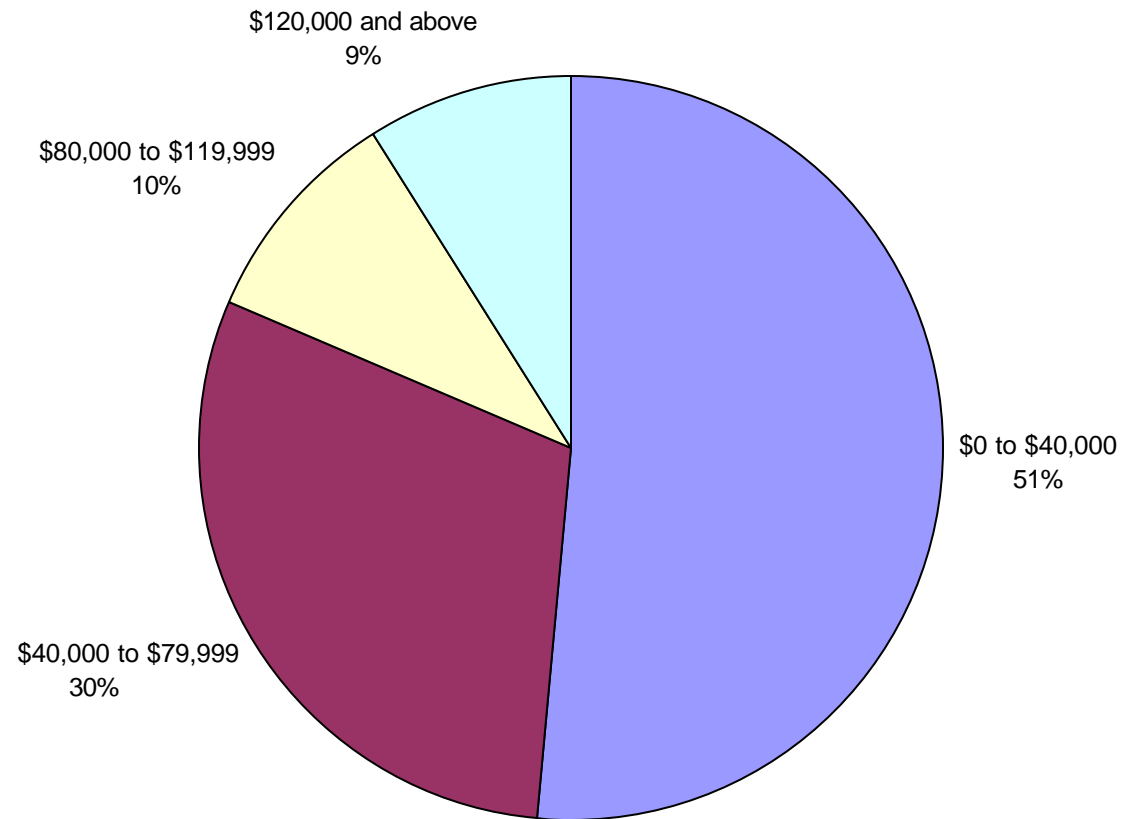
Annual Income			Number of Members	Percent of Total	Cumulative Percent of Total
\$0	-	\$9,999	269	9.96%	9.96%
\$10,000	-	\$19,999	326	12.07%	22.02%
\$20,000	-	\$29,999	386	14.29%	36.31%
\$30,000	-	\$39,999	407	15.06%	51.37%
\$40,000	-	\$49,999	305	11.29%	62.66%
\$50,000	-	\$59,999	192	7.11%	69.76%
\$60,000	-	\$69,999	200	7.40%	77.17%
\$70,000	-	\$79,999	113	4.18%	81.35%
\$80,000	-	\$89,999	88	3.26%	84.60%
\$90,000	-	\$99,999	65	2.41%	87.01%
\$100,000	-	\$109,999	96	3.55%	90.56%
\$110,000	-	\$119,999	18	0.67%	91.23%
\$120,000	-	\$129,999	23	0.85%	92.08%
\$130,000	-	\$139,999	26	0.96%	93.04%
\$140,000	-	\$149,999	21	0.78%	93.82%
\$150,000	-	Over	167	6.18%	100.00%
Total			2,702	100.00%	

**Median Annual Household Income of HIPUtah Subscribers = \$39,000**

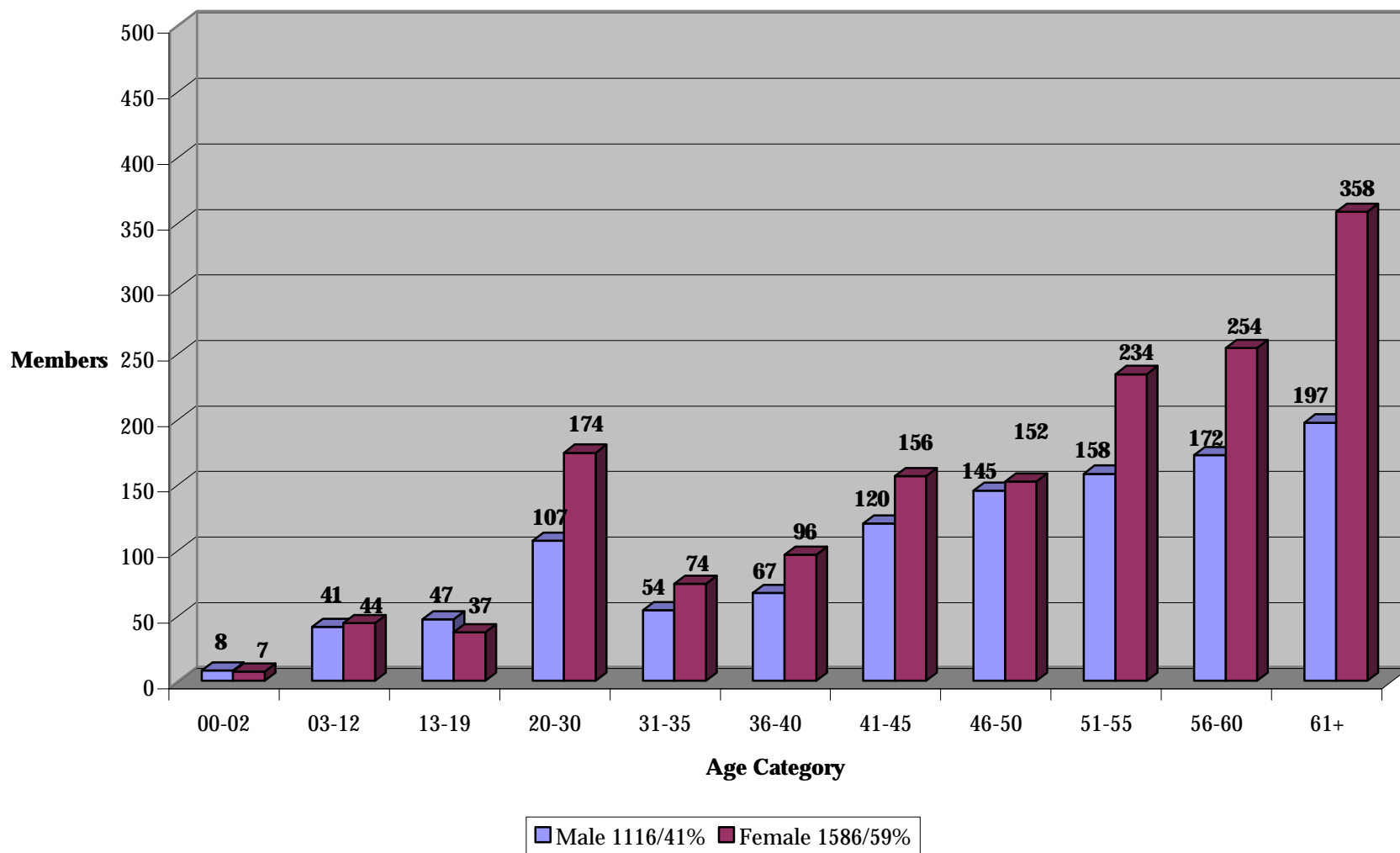
**Average Annual Household Income of HIPUtah Subscribers = \$62,296**



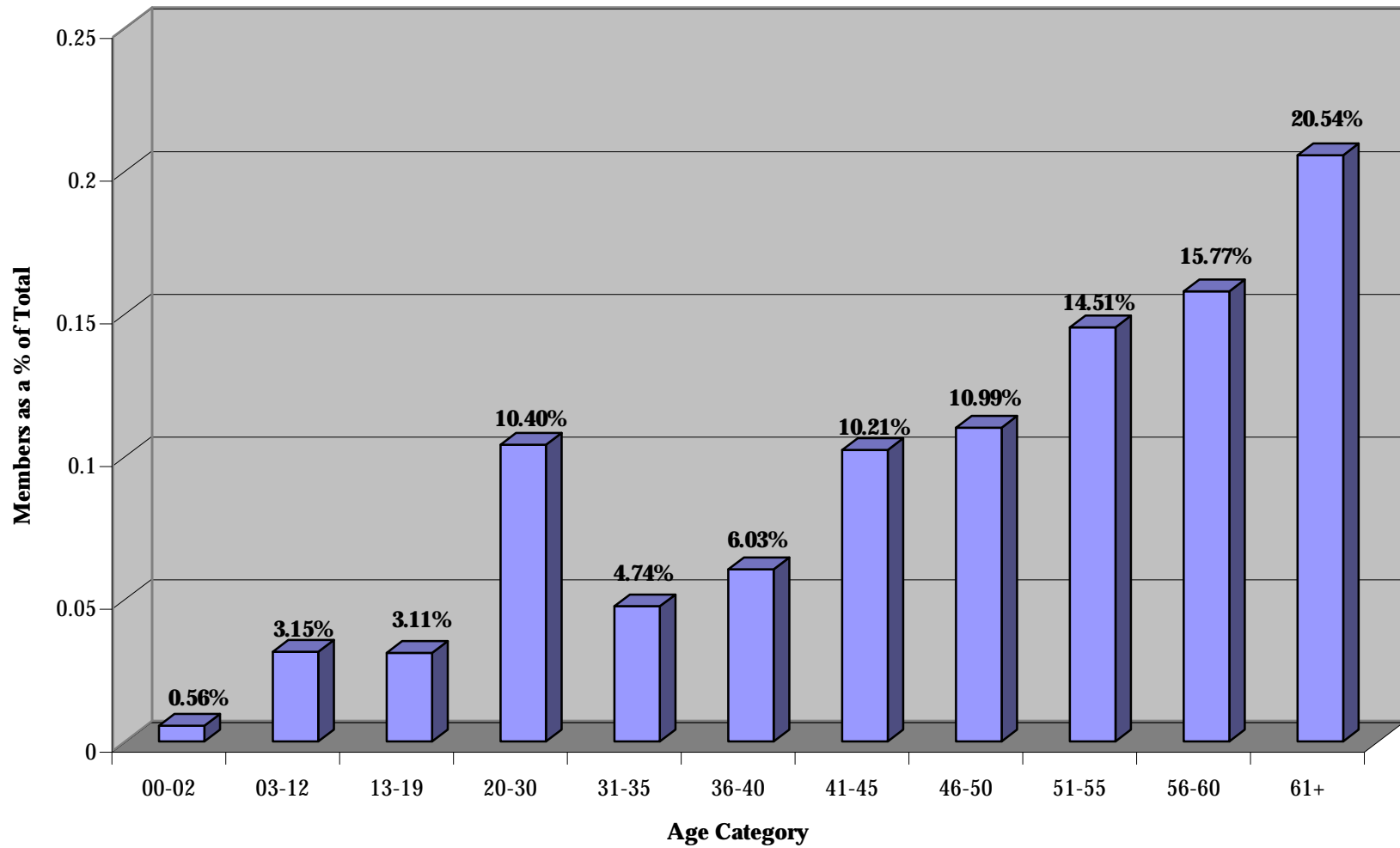
# HIPutah Income Levels



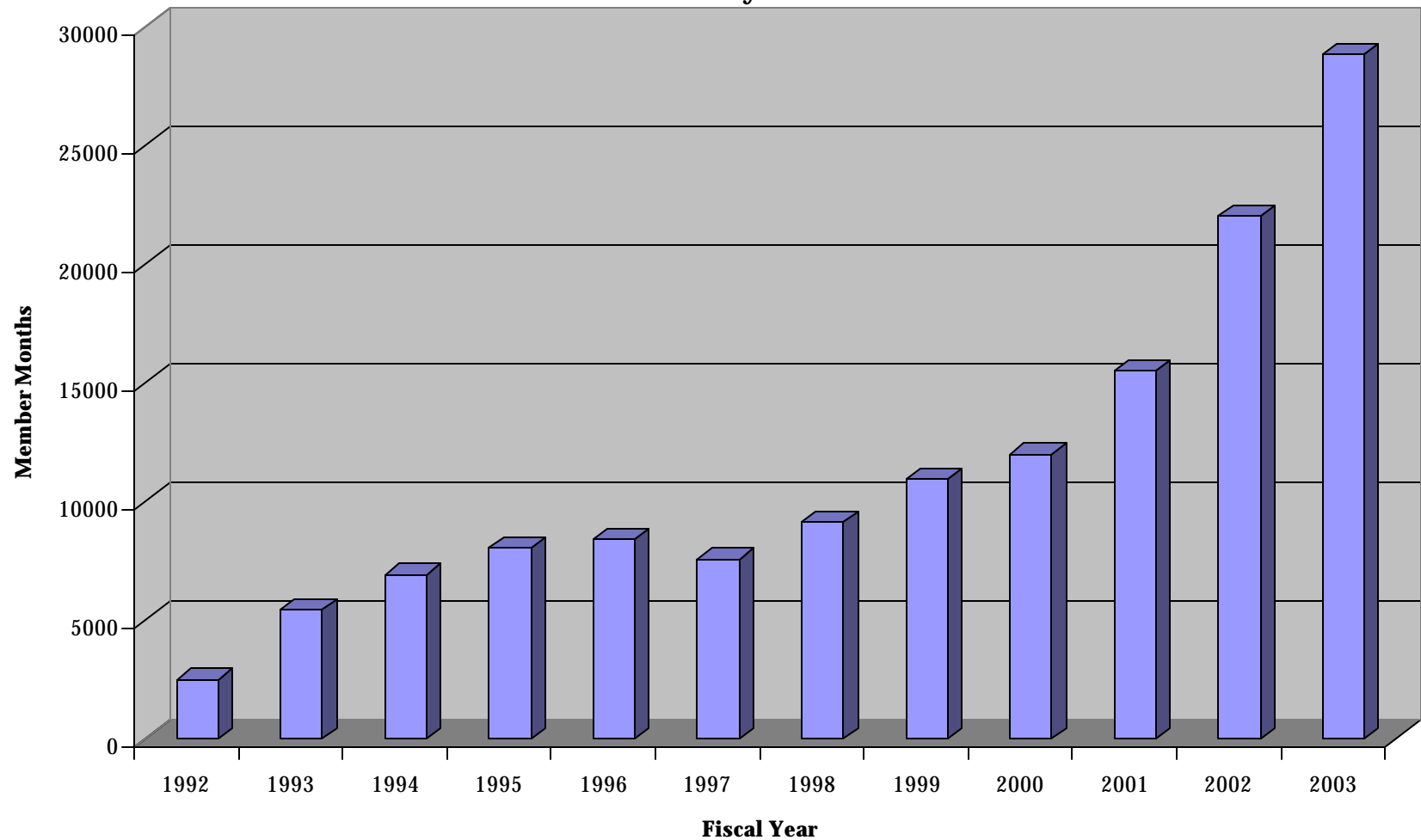
**EXHIBIT D**  
**HIPUtah Enrollment Male/Female by Age**



**EXHIBIT E**  
**HIPUtah Enrollment Age Analysis**



**EXHIBIT F**  
**Member Months by Fiscal Year**



Member Months by Fiscal Year

**STATE OF UTAH  
COMPREHENSIVE HEALTH INSURANCE POOL**



**2003 ANNUAL REPORT  
TO THE UTAH STATE LEGISLATURE**

**Olene Walker**  
*Governor*

**Randall R. Smart**  
*Chairman of the Board*

OPERATIONS SEPTEMBER 1, 1991 - JUNE 30, 2001 (UNAUDITED)

REVENUE		EXPENSES	
NET PREMIUM EARNED	23316306	PAID CLAIMS	\$33,351,411
		OUTSTANDING LIABILITY	\$1,129,753
INVESTMENT INCOME	3274919	ADMIN EXPENSE	3121804
TOTAL REVENUE	\$26,591,225	TOTAL EXPENSES	\$37,602,968
LOSS FROM OPERATIONS			(\$11,011,743)

BALANCE SHEET JUNE 30, 2001 (AUDITED)

ASSETS:		LIABILITIES	
PTIF (STATE TREASURER)	13109225	CLAIMS INCURRED BUT UNPAID	\$1,129,753
		UNEARNED PREMIUM	208559
A/R ADMINISTRATOR	53919	A/P ADMINISTRATOR	210318
		INTEREST PAYABLE ADMINISTRATOR	30822
TOTAL ASSETS	\$13,163,144	TOTAL LIABILITIES	\$1,579,452
FUND BALANCE			\$11,583,692

JULY 1, 2001 - JUNE 30, 2002

REVENUE		EXPENSES	
NET PREMIUM EARNED	\$ 6,708,336	INCURRED CLAIMS	\$9,932,749
INVESTMENT INCOME	382,004	ADMIN EXPENSE	960,560
TOTAL REVENUE	\$7,090,340	TOTAL EXPENSES	\$10,893,309
LOSS FROM OPERATIONS			(\$3,802,969)
STATE APPROPRIATIONS			\$3,009,600
NET BALANCE			\$10,790,323

JULY 1, 2002 - JUNE 30, 2003

REVENUE		EXPENSES	
NET PREMIUM EARNED*	\$9,307,653	INCURRED CLAIMS	\$15,579,848
INVESTMENT INCOME	281,884	ADMIN EXPENSE	\$1,340,365
TOTAL REVENUE	\$9,589,537	TOTAL EXPENSES	\$16,920,213
LOSS FROM OPERATIONS			(\$7,330,676)
STATE APPROPRIATIONS			\$2,916,200
NET BALANCE			\$6,375,847

\* 10% INCREASE IN PREMIUM RATE 7/1/02

JULY 1, 2003 - JUNE 30, 2004

REVENUE		EXPENSES	
NET PREMIUM EARNED*	\$12,375,575	INCURRED CLAIMS	\$21,013,731
INVESTMENT INCOME	\$165,772	ADMIN EXPENSE	\$1,629,371
TOTAL REVENUE	\$12,541,347	TOTAL EXPENSES	\$22,643,103
LOSS FROM OPERATIONS			(\$10,101,756)
STATE APPROPRIATIONS			\$6,916,200
NET BALANCE			\$3,190,291

\* 15% INCREASE IN PREMIUM RATE 7/1/03

4/22/2004